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Report Highlights:
Australia's livestock industries are forecast to continue a recovery phase as more normal weather improves pasture conditions and boosts fodder reserves. Beef production is expected to fall slightly in 2004; rising slaughter weights will be offset by a decline in animals going to slaughter, as producers attempt to rebuild herds. Australia's traditional beef trade flows could be seriously disrupted in 2004 as a result of the detection of BSE in the United States. New final quarantine import procedures for pork should be announced soon.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
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SECTION ONE: SITUATION AND OUTLOOK

Australia's livestock industries are forecast to continue a recovery phase as more normal weather improves pasture conditions and boosts fodder reserves. A large winter grain crop has improved feed availability for intensive livestock industries, particularly pork and feedlot beef. Australia's livestock sector was severely impacted by a drought in 2002 and into 2003 across most of the country.

Cattle inventories are expected to recover to pre-drought levels in 2004, mostly due to falling slaughter rates, as producers retain stock on improving pastures. Beef production is forecast to fall slightly, as rising slaughter weights partly compensate for the drop in slaughter. The Australian livestock sector is still recovering from one of the worst droughts in over 100 years. The drought, which began in 2002 and remained widespread until mid 2003, greatly diminished fodder and pasture reserves, forcing many livestock producers to offload stock for slaughter.

A return to more normal weather conditions in 2003 bought welcome relief to livestock producers across much of the country. The more normal climatic conditions greatly improved pasture conditions, while a successful winter grain harvest has helped replenish fodder reserves. The state of Queensland received more normal rainfall in the later half of 2003, which along with heavy rainfall in major parts of the state in early 2004, has markedly improved the outlook for cattle. However, drought conditions continue to persist in parts of New South Wales. Livestock in these areas remain under pressure and no major recovery is expected until widespread soaking rains are received. The lingering drought is expected to partly constrain the national recovery from the drought.

Australia's traditional beef trade flows could well be seriously disrupted in 2004 as a result of the detection of BSE in the United States and the subsequent closure of primary U.S. export markets. The extent of the disruption will depend on the amount of time that U.S. beef is out of major markets where Australia is a principal competitor. Australian beef exporters are seeing increased demand from Japan, and elsewhere, as customers search for alternatives to U.S. beef. Australia is expected to make up some of the shortfall in markets such as Japan by expanding the grain-fed sector, diverting some beef from the domestic market, as well as possibly diverting some beef that would have been shipped to the United States. Australia will be unable to match the quantity/quality of beef supplied to Japan by the United States.

Cattle prices, which were on the upswing, have fallen during February 2004. Declining cattle prices are likely resulting from the rising Australian dollar, the U.S. BSE case, and general uncertainty about future developments.

Australia's swine sector will benefit from improved feed availability and continued strong export demand. Pork production and exports are expected to remain at near-record levels in 2004. Pork imports are also at record levels and are being partially supported by the high value of the Australian dollar. New quarantine import procedures for pork should be announced soon.

Australia's competitiveness in world livestock and product markets and returns to domestic producers are heavily impacted by the exchange rate of the Australian dollar. Of late, the Australian dollar has appreciated significantly against the U.S. dollar, and to a lesser extent against other major currencies. The Australian dollar is currently valued at just under US$0.80. The Australian dollar averaged US$0.652 in 2003, US$0.544 in 2002, and US$0.518 in 2001.

SECTION TWO: STATISTICAL TABLES

PS&D Tables

Australia Animal Numbers, Cattle							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Total Cattle Beg. Stks	27870	27870	26900	27870	26500	27215	(1000 HEAD)
Dairy Cows Beg. Stks	2123	2123	2056	2056	2063	2063	(1000 HEAD)
Beef Cows Beg. Stocks	12652	12652	12000	12000	12250	12250	(1000 HEAD)
Production (Calf Crop)	9131	10101	9150	9276	9950	9838	(1000 HEAD)
Intra EC Imports	0	0	0	0	0	0	(1000 HEAD)
Total Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL Imports	0	0	0	0	0	0	(1000 HEAD)
TOTAL SUPPLY	37001	37971	36050	37146	36450	37053	(1000 HEAD)
Intra EC Exports	0	0	0	0	0	0	(1000 HEAD)
Total Exports	972	972	950	846	920	800	(1000 HEAD)
TOTAL Exports	972	972	950	846	920	800	(1000 HEAD)
Cow Slaughter	3930	3930	3500	3614	3500	3712	(1000 HEAD)
Calf Slaughter	1081	1081	950	1206	935	900	(1000 HEAD)
Other Slaughter	4068	4068	4100	4215	3700	3841	(1000 HEAD)
Total Slaughter	9079	9079	8550	9035	8135	8453	(1000 HEAD)
Loss	50	50	50	50	50	50	(1000 HEAD)
Ending Inventories	26900	27870	26500	27215	27345	27750	(1000 HEAD)
TOTAL DISTRIBUTION	37001	37971	36050	37146	36450	37053	(1000 HEAD)
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	(1000 HEAD)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 HEAD)

Australia Meat, Beef and Veal							
	2002	Revised	2003	Estimate	2004	Forecast	*UOM*
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	*MM/YYYY*
Slaughter (Reference)	9079	9079	8550	9035	8135	8041	*(1000 HEAD)*
Beginning Stocks	38	38	63	70	49	69	*(1000 MT CWE)*
Production	2089	2089	1946	1954	1935	1841	*(1000 MT CWE)*
Intra EC Imports	0	0	0	0	0	0	*(1000 MT CWE)*
Total Imports	5	2	7	1	5	0	*(1000 MT CWE)*
TOTAL Imports	5	2	7	1	5	0	*(1000 MT CWE)*
TOTAL SUPPLY	2132	2129	2016	2025	1989	1910	*(1000 MT CWE)*
Intra EC Exports	0	0	0	0	0	0	*(1000 MT CWE)*
Total Exports	1365	1359	1250	1256	1300	1206	*(1000 MT CWE)*
TOTAL Exports	1365	1359	1250	1256	1300	1206	*(1000 MT CWE)*
Human Dom. Consumption	704	700	717	700	669	685	*(1000 MT CWE)*
Other Use, Losses	0	0	0	0	0	0	*(1000 MT CWE)*
TOTAL Dom. Consumption	704	700	717	700	669	685	*(1000 MT CWE)*
Ending Stocks	63	70	49	69	20	19	*(1000 MT CWE)*
TOTAL DISTRIBUTION	2132	2129	2016	2025	1989	1910	*(1000 MT CWE)*
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	*(1000 MT CWE)*
Calendar Yr. Exp. to U.S.	554	554	541	541	541	541	*(1000 MT CWE)*

Australia Animal Numbers, Swine							
	2002	**Revised**	**2003**	**Estimate**	**2004**	**Forecast**	*UOM*
	USDA Official [Old]	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	**USDA Official [Old]**	**Post Estimate [New]**	
Market Year Begin		01/2002		01/2003		01/2004	*MM/YYYY*
TOTAL Beginning Stocks	2563	2563	2461	2940	2950	2940	*(1000 HEAD)*
Sow Beginning Stocks	356	356	335	335	358	358	*(1000 HEAD)*
Production (Pig Crop)	5515	5994	5399	5805	5508	5955	*(1000 HEAD)*
Intra EC Imports	0	0	0	0	0	0	*(1000 HEAD)*
Total Imports	0	0	0	0	0	0	*(1000 HEAD)*
TOTAL Imports	0	0	0	0	0	0	*(1000 HEAD)*
TOTAL SUPPLY	8078	8557	7860	8745	8458	8895	*(1000 HEAD)*
Intra EC Exports	0	0	0	0	0	0	*(1000 HEAD)*
Total Exports	14	14	10	10	10	10	*(1000 HEAD)*
TOTAL Exports	14	14	10	10	10	10	*(1000 HEAD)*
Sow Slaughter	0	0	0	0	0	0	*(1000 HEAD)*
OTHER SLAUGHTER	5603	5603	4900	5795	5248	5736	*(1000 HEAD)*
Total Slaughter	5603	5603	4900	5795	5248	5736	*(1000 HEAD)*
Loss	0	0	0	0	0	0	*(1000 HEAD)*
Ending Inventories	2461	2940	2950	2940	3200	3149	*(1000 HEAD)*
TOTAL DISTRIBUTION	8078	8557	7860	8745	8458	8895	*(1000 HEAD)*
Calendar Yr. Imp. from U.S.	0	0	0	0	0	0	*(1000 HEAD)*
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	*(1000 HEAD)*

Australia Meat, Swine							
	2002	Revised	2003	Estimate	2004	Forecast	UOM
	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	USDA Official [Old]	Post Estimate [New]	
Market Year Begin		01/2002		01/2003		01/2004	MM/YYYY
Slaughter (Reference)	5603	5603	4900	5795	5248	5736	(1000 HEAD)
Beginning Stocks	1	1	10	10	1	11	(1000 MT CWE)
Production	407	407	361	427	390	423	(1000 MT CWE)
Intra EC Imports	0	0	0	0	0	0	(1000 MT CWE)
Total Imports	55	54	70	62	75	62	(1000 MT CWE)
TOTAL Imports	55	54	70	62	75	62	(1000 MT CWE)
TOTAL SUPPLY	463	462	441	499	466	496	(1000 MT CWE)
Intra EC Exports	0	0	0	0	0	0	(1000 MT CWE)
Total Exports	78	77	75	76	80	76	(1000 MT CWE)
TOTAL Exports	78	77	75	76	80	76	(1000 MT CWE)
Human Dom. Consumption	375	375	365	412	381	413	(1000 MT CWE)
Other Use, Losses	0	0	0	0	0	0	(1000 MT CWE)
TOTAL Dom. Consumption	375	375	365	412	381	413	(1000 MT CWE)
Ending Stocks	10	10	1	11	5	7	(1000 MT CWE)
TOTAL DISTRIBUTION	463	462	441	499	466	496	(1000 MT CWE)
Calendar Yr. Imp. from U.S.	0	0	0	0	10	10	(1000 MT CWE)
Calendar Yr. Exp. to U.S.	0	0	0	0	0	0	(1000 MT CWE)

Trade Matrices

Import Trade Matrix Animal Numbers, Cattle			
Time Period	**Cal Yr**	**Units:**	**Number**
Imports for:	**2002**		**2003**
U.S.	39	U.S.	23
Others		**Others**	
Total for Others	0		0
Others not Listed	0		0
Grand Total	39		23
NB. 2003 figures Jan - Oct only			

Export Trade Matrix Animal Numbers, Cattle			
Time Period	**Cal Yr**	**Units:**	**Number**
Exports for:	**2002**		**2003**
U.S.	6	U.S.	0
Others		**Others**	
Indonesia	430196	Indonesia	328637
Egypt	145041	The Philippines	86828
The Philippines	113263	Malaysia	80268
Malaysia	91339	China	31987
Saudi Arabia	53231	Israel	29599
Israel	47777	Japan	18672
Brunei	17775	Brunei	16688
Mexico	14028	Saudi Arabia	15969
Japan	9372	Jordan	12678
China		Egypt	7795
Total for Others	922022		629121
Others not Listed	49634		22962
Grand Total	971662		652083
NB. 2003 figures Jan - Oct only			

Import Trade Matrix Meat, Beef and Veal			
Time Period	**Cal Yr**	**Units:**	**MT**
Imports for:	**2002**		**2003**
U.S.	131	U.S.	13
Others		**Others**	
New Zealand	752	New Zealand	1789
Canada	13		
Total for Others	765		1789
Others not Listed	0		0
Grand Total	896		1802
NB. 2003 figures Jan - Oct only			

Export Trade Matrix Meat, Beef and Veal			
Time Period	**Cal Yr**	**Units:**	**MT**
Exports for:	**2002**		**2003**
U.S.	387256	U.S.	299277
Others		**Others**	
Japan	238484	Japan	232985
South Korea	84808	South Korea	56539
Canada	82379	Canada	28510
Taiwan	34334	Canada	26439
Indonesia	19458	Indonesia	15568
The Philippines	14756	Malaysia	8268
Malaysia	11070	The Philippines	7940
New Zealand	9869	Mexico	4230
Mexico	6233	New Zealand	3889
Puerto Rico	6207	United Kingdom	3210
Total for Others	507598		387578
Others not Listed	55615		31922
Grand Total	950469		718777
NB. 2003 figures Jan - Oct only			

Import Trade Matrix
Animal Numbers, Swine

Time Period	**Cal Yr**	**Units:**	**Number**
Imports for:	**2002**		**2003**
U.S.	0	U.S.	0
Others		Others	
Total for Others	0		0
Others not Listed	0		0
Grand Total	0		0

NB. 2003 figures Jan - Oct only

Export Trade Matrix
Animal Numbers, Swine

Time Period	**Cal Yr**	**Units:**	**Number**
Exports for:	**2002**		**2003**
U.S.	0	U.S.	1350
Others		Others	
Indonesia	12918	Malaysia	220
The Philippines	894	Saudi Arabia	124
Vietnam	58	Vietnam	44
Japan	46	Indonesia	33
Papua New Guinea	23		
Total for Others	13939		421
Others not Listed	0		0
Grand Total	13939		1771

NB. 2003 figures Jan - Oct only

Import Trade Matrix
Meat, Swine

Time Period	Cal Yr	Units:	MT
Imports for:	**2002**		**2003**
U.S.	0	U.S.	0
Others		**Others**	
Canada	27503	Canada	26057
Denmark	16006	Denmark	15013
Total for Others	43509		41070
Others not Listed	0		0
Grand Total	43509		41070

NB. 2003 figures Jan - Oct only

Export Trade Matrix
Meat, Swine

Time Period	Cal Yr	Units:	MT
Exports for:	**2002**		**2003**
U.S.	18	U.S.	33
Others		**Others**	
Singapore	30111	Singapore	23139
Japan	14909	Japan	11080
New Zealand	6588	New Zealand	8083
South Korea	2584	The Philippines	2399
The Philippines	2237	Taiwan	1404
China	931	South Korea	1263
Hong Kong	693	Hong Kong	615
South Africa	680	South Africa	527
Taiwan	574	China	301
Russia	528	Germany	242
Total for Others	59835		49053
Others not Listed	1909		1161
Grand Total	61762		50247

NB. 2003 figures Jan - Oct only

SECTION THREE: NARRATIVE ON SUPPLY AND DEMAND, POLICY & MARKETING

Cattle Numbers

Inventory: Cattle inventories are projected to rise in CY 2004, with a closing inventory forecast at 27.8 million head, two percent (535,000 head) higher than the previous year. A return to more normal weather conditions, which began in the second half of 2003, is projected to continue through 2004. Improving pasture conditions are expected to constrain slaughter and boost inventories to just under pre-drought levels, as producers seek to rebuild their cattle herds.

Closing inventory for CY 2003 is estimated at 27.2 million head, in line with preliminary Australian Bureau of Statistics (ABS) figures. According to historical figures, this inventory level represents a decline of 655,000 head from the previous year and the largest drop in cattle numbers since the major drought of 1983. The falling cattle inventory in 2003 was accompanied by historically high slaughter rates brought on by the drought.

Closing inventory for CY 2002 is estimated at 27.9 million head, again in line with ABS figures and unchanged from Post's previous estimate. (Of note, ABS inventory numbers refer to June 30 of the given year. Post has traditionally used these numbers for opening inventory numbers in the calendar year, i.e. January 1. However, due to delays in the publication of these figures, Post is now using the ABS inventory number as a closing inventory number, i.e. December 30.)

Australian Cattle Numbers by State (Million Head and Pct. of Total)							
NSW	**Victoria**	**Queensland**	**SA**	**WA**	**Tasmania**	**NT**	**ACT**
5.73	4.52	10.94	1.41	2.18	0.66	1.76	0.08
21.0%	16.6%	40.2%	5.2%	8.0%	2.4%	6.0%	N/A
Source: ABS 2003							

Based on ABS data, about half of the Australian beef herd in 2003 was carried on properties in the northern part of Australia (Queensland, Northern Territory and northern Western Australia). This area of the country also supplies about 75-80 percent of animals for the live cattle trade.

Cattle on Feed: Post anticipates that the number of cattle on feed destined for the Japanese market will continue to rise in CY 2004. The detection of BSE in the United States and the subsequent closure of the Japanese and other markets to U.S. beef have boosted demand for Australian beef. The increase in demand for fed cattle for export is expected to reverse the trend of declining numbers of cattle on feed that occurred from the start to the end of 2003.

According to recent figures from Meat and Livestock Australia (MLA), 467,139 head of grain fed cattle were turned off in the December 2003 quarter, bringing full year 2003 turn off to a record 2.1 million head, up from the previous record of 2.05 million in 2001. The record number of cattle on feed in 2003 reflects poor pasture conditions and strong domestic demand.

The total number of cattle on feed in the December 2003 quarter was 652,094 head, down seven percent from the same period in 2002. Cattle on feed destined for the Japanese market in the December quarter totaled 362,150 head, down slightly from the year-earlier figure, but up sharply over the previous two quarters. Cattle on feed destined for the domestic market in the December quarter totaled 245,449 head, down for the second consecutive quarter and down from last year. Australia's feedlot capacity is about 920,000 head, with ending-year stocking equating to about 70 percent actual utilization.

Another record year of cattle on feed can be expected in 2004. Strong demand from Japan because of BSE in the United States will likely offset softer domestic demand, brought on by increasing availability of higher quality grass-fed beef as the drought dissipates. However, improving pasture conditions and grass-fed producers wishing to restock their herds will likely create shortages of feeder cattle.

Substitution of cattle on feed between alternative markets is possible, although fed cattle destined for Japan are typically of higher quality and remain on feed for around three hundred days. Cattle destined for Korea and the high end of the domestic market typically are retained on feed for 90 to 180 days.

An increasing proportion of Australia's beef is sourced from the feedlot sector. Currently, of total Australian adult cattle slaughter, approximately 27 percent is sourced from the feedlot sector, constituting about 30 percent of total beef production. In the early 1990's, about nine percent of the national adult cattle slaughter was from the feedlot sector, accounting for about 15 percent of total beef production.

Production (Calf Crop): The calf crop is forecast at 9.8 million head in CY 2004, up over one-half million head from the previous year, but down slightly from Post's previous forecast. A general improvement in seasonal and pasture conditions is expected to improve herd fertility and decrease calf mortality levels.

The calf crop in CY 2003 is estimated at 9.3 million head, down nearly one million head from the previous year. Although this represents a reduction of around ten percent, Post considers this to be consistent with the production conditions experienced during the drought.

Post has revised the calf crop number for CY 2002 down slightly to 10.1 million head. Official ABS calf crop figures are unavailable for the Australian cattle industry.

Trade

Live cattle exports are forecast at 800,000 head in CY 2004, down five percent from the revised figure for the previous year. A shortage of animals suitable for the export trade and a strong Australian dollar are expected to constrain exports.

Estimated live exports for CY 2003 have been revised to 846,000 head, in line with official ABS statistics. This export figure is down 13 percent from the previous year and below Post's previous estimate. Post estimates live exports for 2002 at a record 972,000 head, in line with official ABS figures.

Beef and Veal

Production

Total beef production is forecast at 1,841 thousand metric tons (TMT) in CY 2004, six percent below the previous year. The drop in production is driven by a fall in slaughter levels of just over six percent. A larger drop in production is likely to be constrained by higher projected slaughter weights, as production conditions continue to improve. Post forecasts average slaughter weights increasing to 228 kilograms, just below the average slaughter weight recorded prior to the drought.

Beef production in CY 2003 is estimated at 1,954 TMT, down slightly from the previous year, but well above Post's previous forecast. A return to more normal weather conditions came too late to stop historically high slaughter rates in 2003. However, lower slaughter weights more than offset the higher slaughter rates to reduce total production in 2003.

Post estimates beef production in CY 2002 at 2,089 TMT, in line with revised ABS statistics. Historically high inventories and the onset of the drought combined to push slaughter to historically high levels. Average slaughter weights, although not reaching record levels, remained relatively high at 230 kg per head.

Consumption

Total beef consumption in CY 2004 is forecast at 685 TMT, down slightly from the previous year and unchanged from Post's previous forecast. Estimated beef consumption in CY 2003 is 700 TMT, unchanged from the previous year and up slightly from the previous forecast. Official consumption figures are unavailable for beef consumption. Post uses production and export figures to derive consumption.

Trade

Premium quality Australian beef is produced for the Japanese market and exported to Japan frozen or fresh chilled. Standard qualities of beef are either exported to South Korea or consumed at the premium of the domestic market. Lower quality beef is exported to the United States for manufacturing, or consumed at the budget end of the domestic market. Higher quality (non manufacturing) beef exports represent about one-quarter of total beef exports to the United States.

The detection of BSE in the United States and the subsequent closure of major export markets to U.S. beef will likely have significant implications on trade flows for Australian beef in CY 2004. The exclusion of U.S. beef from Japan is creating sharply higher demand for Australian beef in that market. The lack of export markets for U.S. beef should see supplies rising in the U.S. market, which is expected to result in a drop in Australian shipments to the United States.

A proportion of Australian grain-fed beef typically destined for the high-end domestic market will likely to be redirected to the Japanese market. This will be supported by an increasing quantity of higher quality grass-fed beef available in the domestic market as the drought dissipates. Australian beef exports to the United States are expected to be lower in CY 2004. The drop in exports to the United States is likely to come primarily from the chilled beef trade (higher quality product), as U.S. users switch to domestic beef and Australian suppliers look to increase shipments to Japan. To date, prices in the U.S. remain relatively firm and there has been no major decline in demand for Australia's lean manufacturing beef.

<u>Exports</u>: Total exports of beef and veal are forecast at 1,206 TMT carcass weight equivalent in CY 2004, down four percent from the previous year and well below the previous forecast. Lower production levels and a stronger Australian dollar are expected to constrain exports to levels more characteristic of the late 1990's. Post uses a conversion factor of 1.43 to convert shipped weight (SW) to carcass weight equivalent (CWE).

Beef exports in CY 2003 are estimated at 1,256 TMT, down from the near record 1,359 TMT achieved in the previous year. ABS year-to-date data (Jan-Oct 2003) show a 7.6 percent fall in exports when compared to the same period in the year previous.

Post estimates beef exports in CY 2002 at a record 1,359 TMT, in line with official ABS figures. Historically high beef production, strong demand and a relatively low Australian dollar pushed exports to record levels.

Exports to Japan: Beef exports to Japan grew rapidly in CY 2003 as a proportion of the total, according to the most recent ABS trade statistics. Official year-to-date ABS data for the first ten months of 2003 have Japan accounting for 41 percent of total export volume, compared to only 25 percent for CY 2002. This would seem to support industry claims that Japanese beef consumption is recovering since the earlier detection of BSE in that country.

The closure of the Japanese market to U.S. (and Canadian) beef is expected to continue this upward trend in Australian beef exports to Japan. Post projects Australian beef exports to Japan will rise appreciably in CY 2004; currently forecast in the range of 50,000 to 75,000 MT. The final change in exports to Japan will depend critically on relative price movements, the willingness of Japanese buyers to change their buying behavior as regards beef quality, and any re-opening of the Japanese market to U.S. beef. Clearly the uncertainty of how long U.S. beef will be out of the Japanese market will condition the degree to which the Australian industry will invest in increased export capacity. A longer absence of the United States from the Japanese market would allow Australia to more adequately fill the shortfall in supply.

Exports to the United States: Exports of Australian beef to the United States are anticipated to fall in CY 2004, subsequent to the detection of BSE and the closing of major U.S. beef export markets. The drop in Australian exports to the United States is unlikely to be dramatic, as U.S. importers are expected to continue importing Australia's lean manufacturing beef for their domestic formulations.

According to government sources, Australian shipments of beef to the United States in CY 2003 were slightly lower than the previous year, with about 5,000 MT of the 378,214 MT country-specific beef quota unfilled.

The United States was Australia's largest export market for beef in CY 2002, taking about 41 percent of all volume and accounting for about 39 percent of the value of all shipments. The bulk of Australia's beef exports to the United States is frozen boneless product destined for manufacturing.

Australian beef exported to the United States is subject to a country-specific tariff rate quota (TRQ). Under the TRQ, up to a quantity of 378,214 MT of Australian beef entering the U.S. market is assessed a relatively low U.S. tariff of US 4.4 cent/kg. Shipments above this quantity are subject to an above or over-quota tariff of 26.4 percent. The TRQ is administered on a calendar year basis.

Australia filled the in-quota portion of the U.S. TRQ in 2001 and 2002 for the first time in a number of years. The Australian Government implemented a controversial TRQ allocation scheme for exports in 2002 that allocates the U.S. TRQ among Australian shippers (See GAIN Report #AS2033, "New Export Scheme for Beef to the U.S. Announced" for further information on the quota scheme.) According to recent projections by the Australian Bureau of Agriculture and Resource Economics (ABARE), Australia is not expected to again fill the U.S. TRQ until around 2006-07.

Beef Imports: Australia has "suspended" imports of all beef and veal from the United States since the announcement of the detection of the lone BSE case in the United States. Similarly, some products imported from the United States (derived from bovine) have been "temporarily suspended".

ABS statistics show Australian beef imports totaled 896 MT in CY 2002, or around 0.1 percent of total domestic consumption. Of this quantity, 752 MT was imported from New Zealand and 131 MT was imported from the United States. Imported beef is mostly higher quality cuts used in specialty restaurants.

Stocks

Official stock data is unavailable. Post believes that beef and veal stock levels are relatively low and reflect the commercial environment in which beef is traded. Post has stocks fluctuating between 20,000 and 70,000 MT.

Policy

BSE in the United States: The detection of BSE in the United States has received widespread media coverage in Australia. This news has caused a reaction from the Government of Australia (GOA) and industry groups. Despite the high profile of the issue in Australia, the majority of sources believe that the Australian cattle industry will not be a “winner” as a result of BSE being found in the United States. Australia will likely gain some increased shipments to Japan, but longer-term, demand in this major export market could be negatively impacted.

The GOA responded to the official U.S. announcement (and OIE notification) by “suspending” all imports of U.S. beef. Imports of U.S. products derived from bovine have been “temporarily suspended”. The GOA is also reviewing imports of U.S. cattle. Government sources report they are awaiting a more definitive USDA report on the BSE outbreak before determining the BSE status of the United States. The final status will determine the level of access received by U.S. beef and beef product imports.

In relation to the Japanese Government suspension of U.S. beef imports, the Australian Agriculture Minister has issued a statement assuring Japan of “additional supplies of beef”. However, industry sources remain skeptical of Australia’s ability to meet the projected shortfall of beef supply to Japan.

The GOA has taken Japan’s banning of U.S. beef to reiterate opposition to the Japanese “snapback tariff” imposed in August 2003, which increased tariffs on chilled beef imports from 38.5 percent to 50 percent. The Australian Minister for Agriculture has written to his Japanese counterpart requesting the Japanese government reconsider its position on beef tariffs. The Minister suggests that without changes to the snapback tariff system, the inevitable downturn in Japanese Beef and subsequent recovery could again trigger the “snapback tariff”.

Australia is complying with new USDA beef regulatory measures that were implemented for domestic and imported products in January 2004. The Australian Government and industry representatives questioned the need for these new measures in Australia, given their BSE-free status.

According to the Australian Government, all available evidence shows Australia to be free from TSEs affecting animals, including BSE, scrapie and Chronic Wasting Disease (CWD). Further, the Government argues that quarantine and other preventive animal health measures in place conform to OIE and WHO recommendations.

FTA and Beef: Under the recently negotiated Australia-U.S. Free Trade Agreement (FTA), Australia will gain improved access to the U.S. beef market. As negotiated, Australia’s beef quota will be increased, once U.S. beef exports return to their 2003 (pre-BSE) levels, or three years after the agreement takes effect. The U.S. “above-quota” tariff on imported Australian beef will be phased out over an 18-year period. After the transition period, a price-based safeguard will be available, designed to be sensitive to market disruptions in the U.S. for high-quality beef. Increased access to the U.S. market was a primary goal for Australian trade officials in FTA negotiations.

Under the FTA, the United States will have duty-free access to Australia for beef and beef products, as well as all other agricultural products.

Swine

Inventory

Closing inventory is forecast at 3.15 million head in CY 2004, up seven percent on the figure for the previous year. A greatly improved grain supply situation and continued strong export demand is likely to allow the industry to continue its expansion cycle.

Estimated closing inventory for CY 2003 is 2.94 million head, unchanged from the previous year. Severe drought and associated grain shortages constrained expansion in CY 2003. This figure is in line official ABS statistics for 2003, which Post now uses for <u>closing</u> inventory due to delays in publishing.

Post estimates inventory for CY 2002 at 2.94 million head, in line with the ABS numbers and unchanged from the previous report.

Production (pig crop)

The pig crop is forecast at 5.96 million head in CY 2004, up almost three percent on the 5.8 million head estimated for the previous year.

No official pig crop data is available. Figures quoted are Post estimates and match anecdotal evidence provided by industry sources.

Trade

Post has live trade steady at around ten thousand head in CY 2004, unchanged from the estimate for the previous year.

Meat, Swine

Production

Total pork production is forecast at 423,000 MT in CY 2004, down one percent from the previous year and in line with the one percent fall forecast for slaughter. This forecast is in line with ABARE's forecast for CY 2004. Steadily improving grain supplies in 2003 and into 2004 should allow producers to retain stock from slaughter for the purpose of breeding herd expansion.

Pig meat production is estimated at 427,000 MT for CY 2003, in line with official ABS figures and an all time record according to ABARE's historical data. Historically high slaughter levels driven by drought conditions and the poor availability of feed grain encouraged producers to slaughter stock rather than continue to expand their breeding herds.

Post estimates production in CY 2002 at 407,000 MT, in line with ABS numbers and unchanged from the previous report.

Consumption

Post forecasts consumption for CY 2004 at 413,000 MT, up slightly on the 412,000 MT estimated for the previous year. Post anticipates that with production remaining at historically high levels, consumption and exports are expected to also remain at historically high levels.

A higher Australian dollar is expected to constrain prices received for exports. Post expects that the domestic market will be competitive for pig meat in CY 2004.

Consumption is estimated at 412,000 MT in CY 2003, well up on the 375,000 MT in CY 2002.

Official consumption data is unavailable. Post uses production and trade numbers to derive domestic consumption.

Trade

Exports: Pig meat are forecast at 76,000 MT (CWE) for CY 2004, unchanged from the previous year and in line with ABARE figures for 2003/04. High levels of pig meat available for export are likely to be balanced by a higher Australian dollar, which puts upward pressure on export prices.

Exports of pig meat for CY 2003 are estimated at 76,000 MT (CWE), in line with official ABS year-to-date data. Post uses a conversion factor of 1.25 to convert "shipped weight" to "carcass weight equivalent".

Imports: Pig meat imports are forecast at 62,000 MT (CWE) in CY 2004, unchanged from the previous year. This is roughly equivalent to 50,000 MT in shipped weight (SW), using a conversion factor of 1.23. Post anticipates that a higher Australian dollar will put upward pressure on imports, while high domestic production will provide a disincentive for imports.

Imports for CY 2003 are estimated at 62,000 MT, up 14 percent from the previous year. This is in line with ABS year-to-date data showing a 14 percent increase for the first ten months of CY 2003. An increase in the value of the Australian dollar and historically high exports boosted import volume.

Stocks

Post forecasts stocks to fall slightly to 7,000 MT in CY 2004, down from the 11,000 MT estimated for the previous year. Official stocks data is unavailable, however, Post believes stocks are minimal and reflect the commercial environment of the industry.

Policy

In August 2003, Australia released new proposed quarantine requirements for the importation of pork, which could provide access to Australia for certain pork products from the United States. In February 2004, the Australian Senate conducted an inquiry into Biosecurity Australia's import risk assessment (IRA) for pork. Australian Pork Limited, the peak industry body, appeared before the Senate Committee and argued that there were serious deficiencies in the IRA.

A Final IRA should be issued soon. (See GAIN Report #AS3025 entitled Draft Quarantine Changes for Pork Imports for further information regarding the Draft IRA.)

Recent GAIN Reports of Interest

Grain and Feed Update, AS3051, 12/29/03
Livestock and Products Annual, AS3026, 9/02/03
Draft Quarantine Changes for Pork Imports, AS3025, 8/15/03
New Export Scheme for Beef to the U.S. Announced, AS2033, 10/22/02